

EXHIBIT J

**PRINT THIS**

Powered by

Click to Print[SAVE THIS](#) | [EMAIL THIS](#) | [Close](#)

Credit crunch: Not so happy holidays

Without a free flow of money, analysts warn that Christmas sales could decline as consumers cut back on gifts and stores struggle to stock shelves.

By [Parija B. Kavilanz](#), CNNMoney.com senior writer

Last Updated: October 3, 2008: 2:34 PM ET

NEW YORK (CNNMoney.com) -- With the big year-end shopping holidays fast approaching, the credit market freeze couldn't come at a worse time for consumers, retailers and the broader economy.

Despite Congressional [approval](#) Friday of a \$700 billion bailout for financial institutions, industry watchers say it doesn't guarantee that nervous lenders will unstick credit restrictions and get money flowing again to cash-strapped consumers - or that budget-conscious Americans will want to splurge any extra money at the mall.

"There's definite nervousness in the [retailing] industry," said Marshal Cohen, chief retail analyst with NPD Group.

"We've not even made it to Halloween and retailers are already talking about Christmas discounts," Cohen said.

Christmas is obviously a big deal to retailers, given that year-end holiday-related purchases typically account for half or more of merchants' annual sales and profits.

Just this week, Wal-Mart ([WMT](#), [Fortune 500](#)), the world's largest retailer, announced it was chopping prices on popular toys and would launch its Christmas merchandise over the next 10 days.

Another toy seller, KB Toys, said Wednesday that it cut prices on more than 200 toys to \$10 or less in order to "allow consumers to stretch their dollar in these challenging economic times."

Not to be left behind, some drugstore chains also debuted Christmas paraphernalia in stores this month.

But will these extra early incentives be enough to save what many industry watchers are expecting to be a dismal holiday sales season?

Cohen doesn't think so. He expects November-December sales to actually decline between 1 to 2 percent. The National Retail Federation forecasts a meager 2.1% gain for the two-month period.

"In 10 years of covering the retailing industry, I've never forecasted a decline," he said.

No desire + No credit = Throwaway year

"This already has become a throwaway sales year," Cohen said, adding that the credit market squeeze will only worsen the situation for retailers in the weeks ahead.

As much as 87% of consumers use some form of credit for their Christmas shopping, according to Britt Beemer, a retail analyst and chairman of America's Research Group.

So as the troubled banking industry tightens lending standards and shrinks credit limits, these measures will likely inhibit consumers' ability - and desire - to splurge on any kind of discretionary spending. Citing these concerns, Beemer thinks Christmas sales could fall as much as 4%.

Any slowdown in consumer spending immediately rings alarm bells for the broader economy, since it accounts for two-thirds of the nation's economic growth.

Access to credit is equally important for retailers, especially in the fourth quarter.

"Retailers rely on a line of credit to ramp up their holiday inventory, hire seasonal staff and pay for holiday advertising," said Catherine Fox-Simpson, a partner with consulting firm BDO Seidman.

According to the firm's recent survey of chief financial officers at 100 retailers, half said they have experienced a tightening of credit by their lenders.

"The trickle-down effect of this is that many retailers will have less holiday inventory, hire fewer additional labor and they are also making the decision to cut back on extended store hours," she said.

Beemer spotted other problems as well. Many retailers, especially during the holiday shopping season, offer credit promotions such as 0% financing for 12 months on high-end electronics, furniture and jewelry to draw customers into their stores.

"I expect these types of promotions will go away this year," Beemer said.

"Every retailer is in survival mode for the holiday [season]. If you are in the apparel or home business, it will be a very, very tough season," said Howard Davidowitz, chairman of Davidowitz & Associates Inc., a national retail consulting and investment banking firm. He expects a 2% drop in November-December sales.

Instead of getting annoyed by seeing Christmas merchandise in October, one analyst suggested that shoppers grab whatever they can, when they can.

"Certainly in key categories like toys and electronics, the popular items will be in short supply," said Stevan Buxbaum, executive vice president of consulting firm Buxbaum Group. "Better get what you can early on."

[Credit crunch freezes hiring, expansion](#)

[Consumer credit limit crackdown](#)

[Credit woes: More than home loans](#) ■

First Published: October 3, 2008: 12:09 PM ET

Find this article at:

http://money.cnn.com/2008/10/03/news/economy/creditsqueeze_retail/?postversion=2008100314

 [Click to Print](#)

[SAVE THIS](#) | [EMAIL THIS](#) | [Close](#)

Check the box to include the list of links referenced in the article.

♦ 2007 Cable News Network LP, LLP.